



CITY OF MARSHALL

COMMISSION AGENDA INFORMATION SHEET:

MEETING DATE: August 13, 2015

PROJECT: Consider and act on a petition request by Republic Services to increase the contracted solid waste rate charged to the City of Marshall (Gene Kennon – Republic Services).

DESCRIPTION:

Section 14 of our Solid Waste Collection and Disposal Contract with Republic Industries provides for an annual CPI adjustment based on the March Dallas-Ft Worth CPI. This year, the DFW March CPI for the last twelve months is actually a minus 0.6% due in large part to a drop in fuel cost.

Section 14 of our Solid Waste Contract allows for an annual CPI adjustment, calculated as follows:

14.00 RATE ADJUSTMENTS

Annual CPI

Any other provision of this Contract notwithstanding, beginning on January 1, 2014 and continuing on January 1 of each succeeding year during the term of this Contract, the rate schedule and fees charged by Contractor for refuse service in the City (collectively, the "Rates") shall be adjusted according to the change in the United States Department of Labor's published Consumer Price Index – All Urban Consumers (Dallas – Fort Worth, TX), but such adjustment shall not exceed 3% annually. The Rates will be adjusted using the most recent March index value compared to the preceding year's March index value. Contractor shall provide City with notice of changes by June 1st preceding the effective date of the increase.

Rate Adjustment Petition

In addition to the above noted Annual CPI Adjustment allowance, the Contractor may petition the City for rate adjustments occasioned by extraordinary events, on the basis of unusual changes in the Contractor's cost of operations, including, but not limited to new, amended, or revised laws, ordinances, or regulations of governmental entities, which requests shall not be unreasonably denied. However, if parties to the Contract cannot mutually agree to a rate adjustment within sixty days of receipt of the Contractor's Petition for Rate Adjustment, either party to the Contract may elect to give the other party one hundred and eighty (180) days notice that the Contract shall be terminated and neither party shall be entitled to any penalty or damages regarding such failure to agree and termination of the Contract.

Republic Industries is, however, petitioning for a 2% rate increase in the rate they charge the City of Marshall to become effective January 1, 2016. Gene Keenon with Republic Services appeared at the

City Commission of July 29th to outline why they believe a cost adjustment of 2.0% is warranted. Based on their petition to increase rates 2%, our contractual cost for residential service would go up \$0.16 cents per month or \$1.92 a year; their 2% rate increase would also apply to all solid waste services. Gene Keenon, Manager of Government Affairs will be present again at the City Commission Meeting to discuss the rate increase adjustment in more detail.

As we stated during the meeting on July 29th, I met with Republic Industries in order to review their justifications for the requested increase. As shown herein above, if the contractor can show good cause for cost increases beyond their control, an increase should be granted. In this case, they do have a new major issue beyond their control – EPA Guidelines for Diesel Emission, which have an adverse effect on their solid waste and recycling trucks. When they purchase new trucks, they must be in compliance with the new emission guidelines which add \$15,000 to \$17,000 per truck. In addition, every 4,500 hours of engine operation, a new ceramic filter must be replaced at an increased cost of \$2,500 (about 1-1/2 years), and every 3 years the entire emission system must be rebuilt to comply with the new EPA guidelines, at an increased cost of \$10,000 each. The other sidebar that is caused by these new emission guidelines for diesel refuse trucks, is they are averaging approximately 10% lower mileage than previously, so they are not realizing the full affect of the current lower fuel prices. Republic Services is currently operating five (5) trucks in Marshall; two (2) residential, two (2) commercial, and one (1) roll-off unit.

As a reminder, under the contractual agreement in place with Republic Services, we charge a 10% franchise fee (for road use) on the cost specified in the contract. If a 2% increase is granted, they will only recognize a net increase of 1.8%. Attached are the original Republic Services petition letters and an exhibit of how the rates charged under the existing “contract” rate schedule, would be amended (our current rates are noted in (appendices and italics) by a 2% rate increase.

Our first rate increase under the current contract was a 1% CPI and became effective January 1, 2015.

Estimated Republic Increased Annual Contract Cost (01-01-16)	\$2,187,700.00
Estimated Previous Annual Contract Cost (01-01-15)	<u>\$2,144,804.00</u>
Estimated Annual Increased Contract Cost for 2% Republic Increase	\$ 42,986.00

COST:

Approximate increased contract cost of \$42,986.00

FUNDING:

Acct. Name & No
01-0305-05-03

Original Budget
N/A

RECOMMENDED CITY COMMISSION ACTION:

Based on the additional explanation by Republic Services related to EPA Emission Guidelines, Staff recommends granting the 2% petitioned increase as requested by Republic Services for the period January 1, 2016 through December 31, 2016.

CITY CONTACT: J. C. Hughes, Director of Public Services – 903-505-4503 (cell)

ATTACHMENTS:

- Republic Services, Inc. petition letter for rate increase (follow up) – dated June 12, 2015
- Republic Services, Inc. petition letter for rate increase – dated May 15, 2015
- Solid Waste Contract Rate Schedule – effective January 1, 2016 (current rates are highlighted) – exhibit of the contract rate schedule if a 2% rate increase is approved.



June 12, 2015

City of Marshall
PO Box 698
Marshall, Texas 75671

Dear Mr. Hughes:

Based on the letter dated May 15th requesting a 2% annual price increase you responded by asking for the reasons of the request. As I mentioned the March CPI is a negative -1% which in no way is a realistic cost for providing good trash and recycle service in Marshall. The recent storms and normal growth have added an additional 163 tons of trash so far in the first six months compared to the previous year and has required an extra truck and crew to be permanently routed just to keep up with demand which has a significant but confidential cost. Insurance has increased 4.9%. and maintenance costs have increased 16.5%. The new EPA truck Emission Regulations have increased the cost of a truck \$15,000 each and we have had to purchase 17 trucks so far this year. This is all proprietary information and I am restricted from giving any more details because of open record requests to the city from competitors.

I am submitting a request for an increase that I realize must be approved by the city commission of 2% for January 1, 2016 which for an example is equivalent to just 16 cents per month on the residential invoice. Marshall has the lowest rates in East Texas at \$8.33 the other bid from the competition for this contract was at \$14.95. Republic Services depends on these annual increases to continue the best service in East Texas along with supporting community projects that depend on corporate sponsorships. Please feel free to contact me with any questions and I will be happy to address the City Commission on this request and state the case for this request.

Sincerely,
Gene Keenon
Manager Government Affairs

A handwritten signature in blue ink, appearing to read "Gene Keenon", is written over the typed name and title.



May 15, 2015

City of Marshall
PO Box 698
Marshall, Texas 75671

Dear Mr. Hughes:

In accordance with provisions in our contract for Solid Waste Collection & Disposal with the City of Marshall Republic Services is entitled to a rate adjustment annually to defer increased cost of providing trash and recycling service with respect to the contract agreement 14.00 that is based on the March Consumer Price Index All Urban Consumers Dallas Ft. Worth. Unfortunately the March CPI is a negative -1% which in no way is a realistic cost for providing good trash and recycle service in Marshall or anywhere in East Texas. This annual adjustment is necessary to maintain the high quality and assurance in service the citizens of Marshall expect and to keep pace with maintenance, insurance and labor expenses, none of which has reduced their cost this year.

I am submitting a request for an increase that I realize must be approved by the city commission of 2% for January 1, 2016 which for an example is equivalent to just 16 cents per month on the residential invoice. Marshall has the lowest rates in East Texas and Republic Services will continue to also provide the best service in East Texas along with supporting community projects. Please feel free to contact me with any questions and I will be happy to address the City Commission on this request.

Sincerely,

Gene Keenan
Manager Government Affairs
903-986-0463

**SECTION III: ("Requested" Republic Services Rate Amendment
to become effective January 01, 2016)**

**RATES FOR
SOLID WASTE COLLECTION AND DISPOSAL, AND
RECYCLABLE MATERIALS COLLECTION & PROCESSING**
(\$0.00) = current rate charged to City of Marshall
\$0.00 = proposed rate increase by Republic Services

I. BASE Rate - (Residential):

- A. Hand Solid Waste & Recycling Collection**
Curbside bag service – City Resident (non-automated)
Twice a week Residential Collection
Once per week Brush/Bulky Collection **\$8.49** (~~\$8.33~~)/Monthly Per Unit
- B. Recyclable Materials Collection & Processing**
Once a Week Collection, handheld bins **\$ included in above rates**
- C. Solid Waste Removal Service at:**
City Hall, Community Centers, Fire Stations,
Service Center, and other municipal facilities & parks **\$ No Charge**
- D. Roll off containers – minimum of six (6) events**
City of Marshall's special events & quarterly clean-ups;
we estimate that we will annually need approximately
35 to 40 of the 30-yard containers for special events,
for example in 2012, thirty-seven were required and
furnished at no charge. **\$ No Charge**
- E. Electronic Recycling Center at Convenience Station** **\$ No Charge**
- F. Bulk Recycling Center at Convenience Station** **\$ No Charge**
- G. Annual recycling mail-out to utility customers** **\$ No Charge**
- H. Annual donation to City for use in litter abatement** **\$ 6,000.00**
- I. Annual donation to City for use in housing demolitions** **\$15,000.00**

II. BASE Rate - COMMERCIAL HANDLOAD RATE SCHEDULE

Curbside bag service – Non-automated

- A. Five (5) bags or less – twice a week**
Commercial Hand Collection **\$17.66** (~~\$17.32~~)/Monthly Per Unit
- B. Downtown Five (5) bags or less – five (5) times a week**
Commercial Hand Collection **\$17.66** (~~\$17.32~~)/Monthly Per Unit
South of Grand Avenue;
West of Lafayette Street;
North of Bowie Street;
East of Franklin Street

III. BASE Rate - Front Load Containers Rates

COMMERCIAL CONTAINERIZED:

Size/Freq	1X/WK	2X/WK	3X/WK	4X/WK	5X/WK	6X/WK	Extra p/u
2 yd	(\$41.72) \$42.55	(\$69.15) \$70.53	(\$114.71) \$117.00	(\$133.61) \$136.28	(\$150.93) \$153.95	N/A	(\$20.20) \$20.64
3 yd	(\$63.66) \$64.93	(\$116.29) \$118.61	(\$136.77) \$139.51	(\$172.84) \$176.30	(\$220.03) \$224.43	N/A	(\$20.20) \$20.64
4 yd	(\$70.92) \$72.34	(\$131.13) \$133.75	(\$169.41) \$172.80	(\$227.97) \$232.53	(\$260.61) \$265.82	(\$329.52) \$336.11	(\$25.25) \$25.75
6 yd	(\$89.63) \$91.42	(\$162.85) \$166.11	(\$236.13) \$240.85	(\$309.36) \$315.55	(\$366.36) \$373.69	(\$469.06) \$478.44	(\$30.30) \$30.90
8 yd	(\$107.93) \$110.09	(\$195.55) \$199.46	(\$283.20) \$288.86	(\$370.90) \$378.32	(\$450.18) \$459.18	(\$531.04) \$541.66	(\$30.30) \$30.90

IV. BASE Rate - Roll Off Containers and Compactor:

Commercial Roll Off:

SIZE	RENTAL/MONTH	PER HAUL
20 YD OPEN TOP	(\$90.90) \$92.72	(\$427.70) \$436.25
30 YD OPEN TOP	(\$90.90) \$92.72	(\$470.37) \$479.78
40 YD OPEN TOP	(\$90.90) \$92.72	(\$576.95) \$588.49
42 YD COMPACTOR	Negotiable	(\$502.13) \$512.17

Delivery and Exchange Cost

~~(\$60.00)~~ \$61.20

EXTRA FREE CONTAINERS:

Note: Allied/Republic Services East Texas Division agrees to contribute a total of 100 – 30-yard roll off dumpsters for Marshall house demolitions at no charge; 20 per year at the City's discretion.